

# MARYLAND ON THE LEADING EDGE: TRANSFORMING HEALTH CARE



# Reform Objectives

Opportunity  
for Maryland  
to be a  
**NATIONAL  
LEADER**  
in health care

**CHANGE**  
the way we  
pay for and  
provide  
health care

**BUILD**  
on the great  
system we have  
and make it  
even better:

- *More affordable*
- *Safer*
- *A healthier  
Maryland*

# History

- MARYLAND – only state where hospitals don't decide how much to charge for care payment
- “All-Payer” system of hospital payment
- A 40-year agreement with Medicare
- Allows Maryland to “waive” Medicare payment rules, set rates hospitals charge
- Can keep as long as we meet waiver “test”
  - Growth in Medicare spending per hospital stay less than the nation

# History

But 40-year-old waiver “test” was out of date

## OLD

Inpatient care



Medicare only



Cost of care per hospital stay



## NEW

All hospital care

All payers

Cost of care per person overall

# New Waiver

- The state of Maryland, hospitals, and insurance companies partnered
- Applied to the federal government for a 5 year “demonstration project”



# Starts with Hospital Care



- Work together to slow growth in spending for hospital care
- Continue Maryland's unique way of setting hospital prices
- Change how hospitals are paid, to reward the right things

# Lower Cost

Annual  
hospital  
**SPENDING**  
**CAP** –  
3.58% per  
capita

Medicare  
**SAVINGS**  
**TARGET** –  
\$330 million  
over 5 years

**GROWTH** in  
Maryland  
spending  
per capita  
cannot  
exceed  
nation

# Safer



**REDUCE READMISSIONS:** patients who return to the hospital within 30 days of discharge

Maryland ranks poorly (almost last) – **49 of 51** states and D.C.

Bring Maryland readmission rates to **NATIONAL AVERAGE** in 5 years

Better, **SAFER** care



# Safer



**REDUCE INFECTIONS AND COMPLICATIONS:**  
patients who get sicker while in the hospital

Maryland  
rates of  
infection  
**HIGHER**  
than nation

**REDUCE**  
infections and  
complications  
by 30% in  
5 years

Better,  
**SAFER** care

# A Healthier Maryland



## Change how hospitals are paid to reward the right things

- Volume – NO; **Value – YES**
- Success under new spending caps requires volume control & cost reduction
- The key: population health management
- Care for patients in the community in lower cost settings; reduce unnecessary care

# Challenges



- Never been tried or tested before
- Hospitals in serious financial condition – 30% losing money today
- New hospital spending limits tight
- Will require hospitals to redefine themselves
- Will require communities to work together to keep people healthy
- Will require patients and families to truly engage in their care

# Opportunities



- Continue our unique hospital rate-setting system
- More equitable care for low income and uninsured people
- Should lead to slower growth in insurance premiums
- Lead nation in reforming health care
- Statewide focus on quality and safety

# Next Steps



- Rate-Setting Commission to put in place all the details
- Hospitals to invest in IT, care coordinators, and more to help manage community health
- All eyes on Maryland

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